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Serbia

Grain and Feed Annual

Grain and Feed Annual

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Report Highlights:

Due to favorable weather conditions, the fall planting of wheat has proceeded faster than in previous years. The MY2016/17 wheat crop planted area is reported to be similar to last year or approximately 600,000 HA. With estimated wheat yields of approximately 4.2 MT/HA, total production is expected to be 2.5 million MT. This amount is more than sufficient to meet domestic consumption of 1.3 MT and still leave approximately 1.1 million MT for export. The spring planting will start the first week of April, when crops will be planted on 2.67 million HA, approximately the same area as last year. This area combined with the 750,000 HA already planted last fall makes total planted area for all crops in Serbia an estimated 3.35 million HA. For MY2015/16, corn planted area was reported as 1.05 million HA, with total corn production at 6 million MT, approximately 2 million MT less than the previous

year. In MY2014/15, Serbia exported a record quantity of 3 million MT of corn. From October 2015 to February 2016, Serbia exported approximately 600,000 MT of corn, a five year record low. In the same period last year, Serbia exported 1.7 million MT of corn. Diminished export quantities are the result of uncompetitive prices and difficulties in transportation due to the low level of the Danube River.

Executive Summary:

Serbia's total planted area for all crops is estimated to be 3.35 million HA, with winter crops almost the same as last year. Approximately 750,000 HA were planted last fall (i.e. wheat, rye, oats and barley) and spring crops (i.e. corn, sunflower, soya, sugar beet, tobacco, vegetables, forage crops, etc.) will be planted on approximately the same area as last year: 2.67 million HA. This year's crop yields and agricultural production will depend on weather conditions during the vegetation period of the crops, as Serbia only irrigates approximately 5 percent of its arable land. Planting of spring crops this year will begin end of March, approximately two weeks earlier than usual due to the warm weather. Total planting costs are reportedly lower than last year, mostly due to lower prices for seeds, mineral fertilizers and diesel fuel. Due to the very mild winter and high precipitation level during the past month, the moisture level in some parts of the country (Central and Western Serbia) is still high and so many farmers are still waiting for the land to dry to start the spring planting. Serbian farmers are expected to plant approximately 17 percent less sugar beet and 4 percent less sunflower seeds, while increasing the planted area for wheat (usually less affected by summer drought) and soybeans (currently a more profitable crop).

The MY2015/16 wheat crop reportedly is 9.5 percent lower than MY2014/15, or approximately 550,000 HA planted area. With estimated wheat yields of approximately 4.7 MT/HA, total production was above average of 2.6 million MT. This amount is more than sufficient to meet domestic consumption of 1.3 MT and still leave approximately 1.2 million MT for export. For the past three years, total wheat planted area has been stable between 550,000-600,000 HA. The MY15/16 wheat crop was very good quality and not damaged by the extreme summer months, thus leaving significant quantities of wheat for export. MY2013/14 was very successful with wheat exports reaching a record 1.3 million MT. Serbia is also changing from being a net importer of barley to being an exporter. In CY2015, Serbia exported approximately 52,000 MT of barley. Over the last several years, Serbian farmers have been turning more to winter crops, such as wheat, barley, and oats. Persistently high summer temperatures have devastated their spring crops. Also winter planting has proven to be more cost effective than the spring crops since they do not use certified seeds, but still get higher yields than for spring crops. The smaller wheat planting in MY2015/16 was due to delays in planting as a result of a longer corn harvest in the fall of 2014.

Due to favorable weather conditions, the 2015 fall planting of wheat was performed much faster than in previous years from mid-October to mid-November. According to the Serbian Agriculture Extension Service, for MY2016/17, approximately 600,000 hectares of wheat were sown, which is 9 percent higher than last year. With an estimated average wheat yield of 4.2 MT/HA, total production could reach 2.5 million MT. This amount is more than sufficient to meet domestic consumption of 1.3 MT and still leave over 1.1 million MT for export. According to the Serbian Grain Fund, in CY2015, Serbia exported 550,000 MT of wheat and 200,000 MT of flour. Wheat exports in MY2014/15 were 44 percent less than in MY2013/14 due to lower wheat quality, uncompetitive domestic prices compared the Black Sea prices, and problems with transportation due to the low level of the Danube River. Exports were mainly destined for the EU and neighboring countries (i.e. Bosnia and Herzegovina, Montenegro, Croatia, Kosovo, Italy, Switzerland, Macedonia and Albania). During 2015, most wheat exports took place in the second part of the year (July-December 2015), while wheat exports in the first two months of 2016 were lower than the monthly average of 55-60,000 MT. It is estimated that Serbia

will export 1 million MT of wheat in MY2015/16. From July 2015 to February 2016, exports of wheat totaled 490,000 MT and export of flour was 141,000 MT. The current Serbian FOB Danube wheat price is between \$140-143/MT, depending on the quality of the wheat.

Good weather conditions with a lot of moisture and a mild winter, created good conditions for the development of the MY15/16 wheat crop. Serbian farmers planted 550,000 HA of wheat in fall 2014, or 9.5 percent less than the previous year. Due to the fact that the wheat crop had good growing conditions and that the harvest was completed very fast before the extreme summer drought (July and August 2015), the wheat crop was one of the rare ones in Serbia that was not affected by the summer drought last year. The yields were good, between 3.5 and 10 MT/HA (registered in some parts of East Vojvodina). In MY2014/15, Serbia produced 2.4 million MT of wheat, which is an increase of 1.7 percent compared to the previous year, and an average yield of 4.7 MT/HA. According to the Novi Sad Institute for crops and vegetables, the wheat crop was of very good baking quality.

By the end of MY14/15, Serbia exported approximately 670,000 MT (480,000 MT of wheat and 190,000 MT of flour) and still had high ending stocks of approximately 350,000 MT. This is mostly due to the increase in prices that resulted in lower exports from January-July 2015. During the harvest in June/July 2015, wheat prices in Serbia were between 17.5 din/kg (USD 160/MT) to 18 din/kg (USD 164/MT), higher than the wheat prices in neighboring and Black Sea countries that were selling MY2015/16 wheat for USD 150-155/MT. After the wheat harvest many farmers put their wheat into storage instead of exporting as usual, due to the low market price and problems with transportation due to the low level of the Danube River. Wheat prices from July 2015 to December 2015 remained steady at 17.5-18 din/kg (USD 159-164/MT). Since the end of December 2015, wheat prices have fallen to 15.5-16 din/kg (USD 140-145/MT), mainly as a result of the significant wheat stocks in the country and very limited sales (only 15,000 MT in January 2016 and 50,000 MT in February 2016 mostly to domestic milling companies).

For MY2015/16, corn planted area was reported as 1.05 million HA, with total corn production estimated at 6 million MT, approximately 2 million less than the previous year. After record high production in MY2014/15, almost 25 percent of Serbia's corn production was seriously damaged by the extreme summer drought in 2015. In MY14/15, Serbia exported a record quantity of 3 million MT of corn. From October 2015 to February 2016, Serbia exported approximately 600,000 MT of corn – a five year low. In the same period last year, Serbia exported 1.7 million MT of corn. The modest export quantities are a result of uncompetitive prices and difficulties in transportation due to the low level of the Danube River. The price of corn in the Black Sea area has fallen since the corn harvest, mainly due to low demand for corn.

In Serbia, during the harvest corn price was 15.80-16.20 din/kg (USD 144-147/MT), higher than Hungarian, Russian or Ukraine corn at FOB Black Sea ports. Thus exports of corn in the following months was only approximately 100,000 MT monthly that is lower than average of 200-250,000 MT monthly. The highest price of corn in 2015 was in August, when the corn of MY2014/15 harvest was sold at 18.40 din/kg (USD 167/MT). Since February 2016, MY2015/16 corn prices have fallen to reach a more competitive level of 15.30 din/kg (USD 139).

For MY 2016/17, Serbia's corn planted area is projected to be 1.1 million HA, slightly above the last year's area. Total corn production is forecast at 7.2 million MT, which equates to an average yield of 6.5

MT/HA.

In MY2016/17, barley will be planted on 91,886 HA, of which 70,000 HA is winter barley and 21,886 HA will be spring barley. With an estimated average yield of 4.3 MT/HA, total production could exceed 390,000 MT. In MY2015/16, barley was planted on 90,800 HA with production reaching good volumes of 390,450 MT, an average yield of 4.3 MT/HA. From July 2015-February 2016, Serbia exported a record volume of barley (45,000 MT) and imported only 2,000 MT. Last year barley prices usually followed wheat prices. However, due to high export demand in MY2015/16, the price of barley was generally around 10-12 percent higher compared to wheat prices.

Table 1: Final spring sowing area in 2015 and expectations for spring 2016

Crop	Sowing areas in HA	
	2015	2016 projected
Small grains	160,000	160,000
Corn	1,050,000	1,100,000
Sugar beet	60,000	50,000
Sunflower	188,000	180,000
Soya	216,000	220,000
Tobacco	8,000	10,000
Vegetables	450,000	430,000
Forage crop	400,000	350,000
Other crops	168,000	165,000
Total:	2,700,000	2,665,000

Source: Serbian Chamber of Commerce

Commodities:

Wheat

Production:

According to the Serbian Grain Fund, the MY2015/16 wheat crop was reported to be 9.5 percent lower than last year or approximately 550,000 HA planted area. With estimated wheat yields of approximately 4.7 MT/HA, total production was very good at 2.6 million MT. This amount is more than sufficient to meet domestic consumption of 1.2 MT and still leave approximately 1.1 million MT for export. For the past three years, total wheat planted area has been stable between 550,000-600,000 HA. The MY15/16 wheat crop was of very good quality and undamaged by the extreme summer heat, thus leaving significant quantities for export. Exports in MY2013/14 reached a record 1.3 million MT. Over the last several years, Serbian farmers have been turning more to winter crops, such as wheat, barley, and oats. Persistently high summer temperatures have devastated their spring crops. Also winter planting has proven to be more cost effective than the spring crops since they do not use certified seeds, but still get higher yields than for spring crops. The smaller MY2015/16 planting was due to the delayed in planting as a result of a longer corn harvest in the fall of 2014.

Due to favorable weather conditions in fall 2015, the wheat planting went faster than in previous years. The MY2016/17 wheat crop planted area reportedly is 9 percent larger than last year or approximately 600,000 HA. With estimated wheat yields of approximately 4.2 MT/HA, total production is expected to be 2.5 million MT. This amount is more than sufficient to meet domestic consumption of 1.2 MT and still leave approximately 1.1 million MT for export. The wheat planted in the fall was at the optimal time for seeding. However due to a very mild winter and the start of a wet spring, there is a possibility that some yellow rust (*Puccinia striiformis*) may occur. It must be treated at the right time and according to the advice of the agricultural extension service, if yields are not to be affected.

The summer of 2015 in Serbia was one of the hottest summers in the last ten years. Drought conditions persisted over two months reducing production. In 2015, Serbia's agricultural production was valued at USD 4.6 billion or 7.34 percent lower than in 2014, mostly due to the extreme summer weather that damaged the soya, corn, and vegetable and fruit production. However, good weather conditions during the winter and spring of 2015 influenced the wheat quality which was excellent. Domestic consumption of wheat is estimated at 1.2 million MT, with 1.2 million MT available for export and approximately 350,000 MT remaining as ending stocks.

Table 2: Wheat area and production, Serbia 2011-2016

Wheat	2011	2012	2013	2014	2015	2016
Area (HA)	490,000	480,000	563,000	608,000	550,000	600,000
Production (MT)	2,000,000	1,900,000	2,731,000	2,400,000	2,600,000	2,500,000

Serbia had a mild winter this year that suited wheat development. The wheat harvest started early and lasted very short in the fall 2015, from mid-September to end of October. The wheat was almost not covered by snow, but since the winter was mild with enough precipitation, the wheat did not suffer any frost damage. However, due to the wet and warm weather, some parts of the wheat crops could suffer from diseases typical for these weather conditions: yellow rust (*Puccinia striiformis*) and grey leaf spots (*Septoria tritici*). According to the Serbian Advisory Service, these diseases if spotted in time and with adequate advice to farmers on how to prevent their spread can be treated quite successfully. To prevent the spread of these diseases it is important for the farmers to promptly apply adequate fungicides to provide for a healthier foliar mass and thus have a positive impact on the final wheat yield.

Due the warmest February 2016 in the last 100 years and a March full of rain, some fields in Central and Western Serbia are still quite wet. Many farmers are waiting for them to dry in order to till them and start spring planting. The winter wheat is mostly in good condition. According to the Agriculture extension workers in Vojvodina, the wheat stalks will develop in April when the farmers will be ready to apply additional mineral fertilizers. Serbian farmers closely track the wheat growing phases and diseases through the Agriculture Information System and Serbian Agriculture Extension Service.

The final crop size will depend on the weather conditions from March to July 2016. For MY2016/17, Serbia will have record wheat stocks (over 350,000 MT) and probably a good crop, which will guarantee a good supply and likely lower prices that, will be attractive on the world market. Storage capacity may be a problem.

Total wheat planting costs are reportedly 10 percent higher than the previous year, mostly due to increases in the price of seeds and mineral fertilizers. Serbia's annual consumption of wheat seed is 150,000 MT from domestic and imported seed sources. This year, seed companies in Serbia are offering more than 70 varieties of wheat planting seeds. The majority of the market (approximately 70 percent) is controlled by the local seed-producing institutes. Some 50 percent of the wheat seeds are certified, while the rest are wheat seeds from the previous crop and are used by small Serbian farmers with limited financial resources who cannot afford to buy certified seeds. In fall 2015, the price of seed wheat in Serbia was approximately 50 dinars/kg (USD 454/MT), or about 10 percent higher than in the fall of 2014.

Serbian farmers use less than half the amount of chemical fertilizers that farmers in developed countries use, due mostly to a lack of financing. As a result of the limited use of mineral fertilizers and certified planted seeds, crop yields in Serbia are much lower than in most EU countries. Mineral fertilizer prices are similar in the MY2016/17 planting season to those of MY2015/16. Almost half of the 800,000 MT of fertilizers used in Serbia annually are imported from Russia, Croatia, Romania, the Ukraine, and Hungary.

Table 3: Prices of fertilizers and diesel (in Din and US\$)

Commodity	March -2014		March-2015		March-2016	
	Din/MT	USD/MT	Din/MT	USD/MT	Din/MT	USD/MT
Fertilizer	37,000	435	37,600	339	40,000	363
Urea	42,000	490	40,500	365	37,000	336
Diesel	155 din/lit	1.82 USD/lit	149 din/lit	1.34 USD/lit	128 din/lit	1.16 USD/lit

Source: Novi Sad Commodity Exchange

Note: Please note that there was a significant change in dinar/USD rate, thus it looks from the table above that prices in USD are lower, which is not the case for every commodity. Prices for fertilizer increased and the price for urea decreased in the local currency (dinar). Diesel for spring planting is cheaper, due to lower world fuel prices that are influencing prices in Serbia as well.

Wheat is an important crop in Serbia, which not only takes up significant planted area but is important for crop rotation, farmer cash flow ("first vapor in the year") and contracting with cooperatives (often farmers borrow wheat, fertilizer and other crops). Wheat production has undergone a transformation from a highly profitable subsidized culture, to a more vulnerable commodity.

The main factors influencing trends in Serbian wheat production are as follows:

- Competition from other field crops (corn, sunflower, barley, soy), which for the past few years have been more profitable than wheat;
- Wheat is practically the only winter crop grown in Serbia and therefore plays a significant role in the sowing structure, for crop rotation purposes;
- Structural shifts whereby large family farms are buying and renting land from elderly households and the government is improving the growing technology, therefore yields are increasing as more land is cultivated by professional producers who are better informed about new technologies and modern production equipment;

- Serbia is still a low wheat quality supplier to the EU, but for the last few years with increasing use of foreign wheat varieties, the quality and yields have been improving;
- Wheat production (both in terms of area and yields) is increasing in the CIS countries (Commonwealth of Independent States), especially Russia, Ukraine and Kazakhstan;
- Increased wheat production and new agrarian policies (subsidies, export ban) have become more common in the CEFTA (Central European Free Trade Agreement) countries;
- The current Serbian agrarian policy of subsidies per hectare has decreased for wheat farmers.

The main barriers to developing larger wheat production areas are:

- Serbian farmers still consider wheat to be low investment crop and are unwilling to put too many resources into it;
- There are still significant fluctuations in wheat prices, planted areas and yields, which make the regional markets unpredictable;
- Serbia is still lagging behind in quality and the offering of domestic seed varieties. Foreign companies still have not established serious breeding programs in the region.

Consumption:

Total domestic consumption of wheat in Serbia has been quite stable for the past several years. For MY2015/16 it is estimated to be approximately 1.3-1.45 million MT. Serbia's annual consumption of wheat seed is approximately 150,000 MT. Wheat for human consumption is estimated at 1.2 million MT annually with per capita consumption at 180 kg, which is significantly higher than consumption levels in most European countries. Currently, there are an estimated 400 wheat silos (of various sizes) in Serbia owned by milling companies, grain traders, and farmer cooperatives. The total capacity of these silos is estimated at 3.8 million MT. Wheat milling capacity is estimated at approximately 2.5 million MT, but only 60 percent of this capacity is currently utilized. There are 120 industrial bread production facilities in addition to a large number of registered bakeries (1,700) with an annual capacity of about 1.5 million tons. There are six large companies involved in pasta production and over 600 small private pasta producers in Serbia.

Feed consumption, mostly for cattle, varies between 100,000-150,000 MT, depending on the quality of the crop in a given year. Due to similar wheat and corn prices in MY2015/16, smaller wheat exports and an abundant crop in MY2015/16, more than the usual amounts were used and exported for feed consumption. In MY2014/15, Serbia began separating high quality wheat for human consumption from wheat sold at lower prices and mainly used for feed. For the MY2015/16 wheat crop, the Novi Sad Commodity Exchange listed different prices depending on the wheat protein and list wheat sold as feed separately. Prices are listed as wheat with 11.5 percent protein, wheat with 12 percent protein and wheat for feed, with protein content below 11.5 percent.

Wheat Quality:

The overall quality of the MY2015/16 wheat crop was reported to be excellent, generally above the level of the five-year average. There was a significant quantity of wheat with a hectoliter weight above 80 hl/kg. The average moisture level was low (approximately 13.5 percent due to the high temperatures), while the protein levels were very good (between 10.13-14.23 percent). Serbian traders

are mostly exporting the wheat with 11.5-12 percent protein levels for human consumption and the wheat with protein below 11.5 percent for feed.

It was announced that by the end of June 2016, before the next wheat harvest, the Ministry of Agriculture will adopt a new Rulebook on quality and other parameters for wheat and other food grains for the milling and baking industry. The new Rulebook will harmonize Serbia's wheat quality standards with EU and international standards. It will determine the minimum parameters that wheat must have to be declared as fit for human consumption, and below which it can only be sold for cattle feed. The key problem for Serbian wheat producers is the mixing of different wheat qualities when stored and the inability to always offer a consistent quality for export. Once the Rulebook is adopted Serbian producers and storing facilities will have to separate wheat for human and cattle consumption, which will also assist exporters in fulfilling international trade contracts. It is also planned that through the Rulebook, Serbia will also prescribe trade classes of wheat.

Table 4: MY14/15 Wheat Quality Parameters

Parameter	Average values of Serbian MY14/15 wheat crop
Hectoliter Weight	80.29 hl/kg
Moisture	13.65%
Proteins	12.34%
HTM (kg/hl)	90
Hagberg Falling Number	296
Alveogram W	253
Wet Gluten Content	25.11%

Source: Serbian Grain Fund

Trade:

In CY2015, Serbian grain exports did not performed as previously expected. In CY2015, Serbia exported 550,000 MT of wheat and 200,000 MT of wheat flour. Exports were approximately 50 percent lower than previously expected due to problems with price competitiveness, partly stemming from transportation problems as a result of the low levels of the Danube River. Wheat exports occurred mostly only from July-December 2015. Most of the wheat and wheat flour exports went to Kosovo, Romania, Macedonia, Bosnia, Albania, Italy, Switzerland and Montenegro.

Part of Serbia's wheat trade is shipped by truck to neighboring Bosnia and Herzegovina, Montenegro, Kosovo, Macedonia and Albania, while the largest quantities of wheat are shipped by barge to Port Constanza, Romania. Serbian wheat is mostly sold to foreign international companies FOB at the Port on the Danube in Serbia. Serbian (higher quality) wheat is sold to Spain, Switzerland and Italy. Serbian wheat flour is mostly sold to Montenegro, Bosnia and Herzegovina, Kosovo, Macedonia and Albania.

During the summer and fall months in 2015, low water levels on the Danube River stopped or delayed grain exports from Serbia. With record low water levels only very small quantities of wheat could be loaded on the river barges. Grain transportation costs skyrocketed almost 30 percent in this period making Serbian wheat less competitive on the world market. According to the Serbian Grain Fund, from July 2015 to February 2016, Serbia exported 490,000 MT of wheat and 141,000 MT of flour. The current Serbian FOB Danube wheat price is between \$140-143/MT, depending on the quality of the wheat. Wheat exports during July 2015-February 2016 reached 100,000 MT or 26 percent higher than

MY14/15 when Serbia exported only 480,000 MT for the entire marketing year. Serbia has 1.4 million MT left until the new harvest in June 2016. Of that 1.4 million MT, Serbia needs 500,000 MT for human consumption, 40,000 MT for feed, leaving approximately 850,000 MT of wheat for export and ending stocks. It is estimated that Serbia will attempt to export approximately 120,000 MT per month before the new harvest, but this will be difficult considering demand is falling as the new wheat harvest approaches.

In MY2015/16, approximately 120,000 MT of Serbian wheat were shipped by river barges to the Port of Constanza, Romania, while other quantities were exported to neighboring countries by truck: Bosnia and Herzegovina (100,000 MT), Kosovo (95,000 MT), Macedonia (50,500 MT), Albania (40,000 MT), Italy (35,5000 MT), Montenegro (25,000 MT), Switzerland (14,000 MT) and Croatia (10,000 MT). Serbian wheat shipped to the Black Sea is mostly stored in the Port of Constanza silos and shipped by sea vessels to North African countries (Tunisia, Algeria and Egypt). Serbian market prices during July-December were higher and not very competitive with Ukraine and Russian wheat prices that were drastically reduced due to the drop in their national currencies versus the US dollar. Wheat prices from July 2015 to the end of December 2015 have remained steady (18 din/kg or USD 164/MT). Since the end of December 2015, wheat prices have fallen (15.5-16 din/kg or USD 140-145/MT), mainly as a result of significant wheat stocks in country and very limited sales (only 15,000 MT in January 2016 and 50,000 MT in February 2016, mainly to domestic milling companies).

Table 5: Wheat exports in MY15/16 (July 2015-February 2016)

Month	Wheat MY15/16 in MT	Flour MY15/16 in MT
July	104,779	18,144
August	84,258	17,009
September	55,740	17,162
October	41,572	19,415
November	79,103	18,879
December	58,408	21,658
January	15,885	12,336
February	50,472	16,061
TOTAL:	490,237	140,781

Source: Serbian Grain Association

If the weather remains fair over the next four months, wheat production in MY2016/17 could reach 2.4 million MT with estimated wheat yields of approximately 4.2 MT/HA. Total production would be enough for an estimated domestic consumption of 1.2 million MT and wheat exports of 1.1 million MT, leaving estimated MY16/17 wheat ending stocks at approximately 300,000 MT.

Per the Stabilization and Association Agreement (SAA), approximately 95 percent of all EU imports became duty free effective January 1, 2014. The remaining items now have an average duty rate of 0.99 percent, although the rate is significantly higher on certain sensitive agricultural commodities. These products include honey, fresh tomatoes, peppers, potatoes, leafy greens, cucumbers, fruits, dry plums, live animals, fresh/chilled/frozen meats (except turkey and goat meat), processed meat products, pasta, wheat, corn, sugar, edible sunflower oil, fruit juices, fruit jams, fruit brandy and most dairy products. The duty rate for imported wheat (tariff no. 100190 99 10) from EU and CEFTA countries is 18%, and

for wheat flour (tariff n. 1101 11 15) from EU and CEFTA countries is 19.5%, while the general duty rate for wheat and wheat flour imports from other countries including the United States will continue to be 30 percent.

In 2015, there were approximately 200 exporters of wheat from Serbia. The largest wheat exporters in 2015 were: Agroglobe, Novi Sad, MK Commerce, Novi Sad, Konzul, Novi Sad, Ciric and Son, Sakule, Agromarket, Kragujevac, Dumico, Belgrade and Cargill, Novi Sad.

During 2015, approximately 209 Serbian companies exported wheat flour mostly by truck to neighboring countries. The five largest exporters of wheat from Serbia in 2015 were: DPS Klas Group, Sabac, Zito Backa, Kula, Zitopromet-Mlin, Senta, Kikindski Mlin, Kikinda and Zitopromet-Ruma, Ruma.

The Serbian Grain Association (SGA) has approximately 40 members representing a sector valued at over USD 500 million. In May 2014, the SGA joined COCERAL (Europe's leading umbrella trade association for cereals, rice, feedstuffs, oilseeds, olive oil, oils and fats). COCERAL is a strong advocate for the distributors, storage facilities and traders of these commodities with the European Commission and EFSA (European Food Safety Authority). This membership is very important for Serbian producers and exporters of agriculture commodities, given Serbia's EU pre-accession negotiations.

Stocks:

It is estimated that currently Serbia has 720,000 MT of MY2015/16 wheat in stocks. Serbia has 1.4 million MT left until the new harvest in June 2016. Of that 1.4 million MT, Serbia needs 500,000 MT for human consumption, 40,000 MT for feed, while approximately 850,000 MT of wheat is available for export and ending stocks. It is estimated that Serbia will look to export approximately 120,000 MT per month, before the new harvest, but demand for wheat is dropping as the new wheat harvest approaches. Beginning stocks in MY2016/17 are estimated at 347,000 MT. Small wheat producers usually sell their crops to traders and milling companies' immediately after the harvest. Due to the low market prices after the wheat harvest in July 2015, many Serbian farmers decided not to sell their wheat immediately but to store it and wait for an increase in the price. The milling companies in the past took advantage of their large storage facilities to negotiate competitive prices from the farmers. That practice has declined over the several years as more storage capacity has become available in Serbia. Also, for the past couple of years, the government has started to intervene by providing storage subsidies in order to allow smaller farmers to store their wheat and then sell it later when wheat prices are more advantageous.

Policy:

In July 2014, the Serbian Government adopted a new Agricultural and Rural Development Strategy for the period 2014-2024. The strategy, a requisite for receiving EU funding, sets guidelines for adjusting Serbia's agriculture to meet EU and WTO requirements and defines the basic reforms that are needed in the agricultural sector. The strategy aims to propose reforms that will improve Serbia's business environment and competitiveness, raise living conditions, and introduce greater stability for Serbia's farmers in rural areas. According to the Ministry of Agriculture, Serbia needs to define budgetary incentives and adopt laws and rulebooks that facilitate agricultural development, as well as greater farmer training and exposure to new technologies. In addition to the Agriculture and Rural Development Strategy, the Ministry of Agriculture prepared a National Development Program for Agriculture and National Program Rural Development that should be adopted by the Serbian Government after the

elections in April. These National Programs will be valid from 2015-2020, with more specific measures for implementing Agriculture and Rural Development Strategy.

In January 2015, the European Commission set aside USD 190 million for 2015-2020 to support Serbia's agriculture and rural sector under its Rural Development Program for Serbia (IPARD). The program aims to increase food-safety in Serbia and improve competitiveness of the agro-food sector as well as to help Serbia progressively align with EU standards. In order to start using IPARD funds, the Serbian Government must get its Agriculture Payment Agency accredited by the European Commission (EC) and the Payment Agency must prove to the EC that its organizational structure is operational. This process is still underway. Accreditation of the payment agency also is one of the benchmarks for initiating EU negotiations on Chapter 11 (Agriculture and Rural Development). If accredited, Serbia would have access to USD 38 million in EC Funds through IPARD. It is estimated that by 2020 the Serbian Payment Agency must employ at least 700 employees in order to successfully process domestic subsidies and EU IPARD payments to Serbian farmers.

The Ministry of Agriculture and Environmental Protection is responsible for the Government's strategy in the field of international and domestic agricultural trade, food processing, rural development, environment, forestry, and water management. Although the Serbian Parliament adopted the Law on Incentives for Agriculture Production and Rural Development in January 2013 stipulating that the agriculture budget could not be less than five percent of Serbia's total budget, the Serbian Government adopted in December 2015 a final budget for 2016 of 1 trillion dinars (USD 9.1 billion) and only allocated 40.16 billion dinars (USD 365 million) to agriculture as part of overall budget constraints. This is only 4 percent of the total adopted budget and slightly above last year's agriculture budget.

For 2016, over 50 percent of the agriculture budget of 40.16 billion dinars (\$365 million) will be used to cover production subsidies (mainly for milk, livestock, and fruits), while approximately 23.8 billion dinars (USD 216 million) will be dedicated to fertilizers and certified seed refunds to registered farmers, and 7 billion dinars (USD 63.6) will be available for new investments in the food and agriculture sector, such as supporting further processing of agricultural products (e.g. new storage facilities, including cold storage for fruits and vegetables, as well as new processing facilities and equipment and incentives to modernize livestock production), 1.8 billion dinars (USD 16.4 million) will be for rural development, 600 million dinars (USD 5.45) for credit support and 233 million dinars (USD 2.12) for special incentives.

According to the new Rulebook on Allocation of Subsidies for Agriculture Production and Rural Development in 2016 (published in the "Official Gazette RS" No. 08/16 on February 1, 2016), planting subsidies for crop production in Serbia will be reduced from 12,000 dinars (\$110) per hectare to 4,000 dinars (\$36) per hectare. Of the 4,000 dinars per hectare, half will be earmarked to purchase seeds and the other half to purchase mineral fertilizers. According to the new Rulebook on subsidies the state support for milk production in 2016 will stay the same as previous years (7 dinars [\$0.06] per liter). Livestock production subsidies will range from 60 dinars (\$0.55) for laying hens to 25,000 dinars (\$227) per cow. Incentives for beehives will be 600 dinars (\$5.50) per hive. For support to organic production the State has set aside 92 million dinars (\$840,000) and for preservation of plant and animal genetic resources approximately 58 million dinars (\$527,300). In 2016, the Serbian Government allocated approximately 40.16 billion dinars (\$365 million) for agriculture, which is 5 percent or 2.14

billion dinars (\$19.5 million) less than in 2015. Of the total agricultural budget for 2016, over half (23.8 billion dinars [\$216 million]) will go to farmer subsidies.

The Ministry of Agriculture also will offer farmers state-subsidized farm loans which will be in dinars, without a foreign currency clause, and will counter sign contracts with commercial banks and insurers. The annual interest rate on loans for agriculture and food production will be 3 percent for loans for all purposes. The loans will have a repayment schedule ranging from one to three years, including a grace period of up to a year. Loans will be available to individual farmers, small agricultural enterprises and to cooperatives for purchasing live animals, feed, insurance policies, and equipment for farms.

The Law on Pre-Harvest Financing of Agricultural Production adopted by the Serbian Parliament in November 2015 will become effective on June 1, 2016. Adoption of this law arose from the need to increase the volume of primary agricultural production by improving existing financing. The law should allow the use of future production (crops, fruits, vegetables, etc.) to be used as a form of collateral to secure a loan. The law also envisages that the contract relating to the financing be entered into a registry, so it will be possible to check whether a parcel of farmland is encumbered with a loan. The registry, managed by the Agency for Agricultural Registries, also will become operational effective June 1, 2016. The whole project is financed by the European Bank for Reconstruction and Development (EBRD) who helped the Serbian Ministry of Agriculture and Environmental Protection draft the law and the software for the registration of contracts, along with the UN Food and Agriculture Organization (FAO). EBRD also has launched a public relations campaign on the new options for financing, targeting agriculture producers, traders, banks and insurance companies.

On December 29, 2015, The Serbian Parliament adopted new Law on Agriculture Land which defines stakeholder responsibilities relating to land leasing, strengthens small agricultural producer rights and improves transparency. According to the Ministry of Agriculture one of the objectives of the new law is to generate more revenues from leasing, as some of the land is being used by unknown persons who are not paying any fees and nearly half of the available arable state land was not offered for lease through a bidding process. As a result, the state is losing significant revenues – potentially a third of the earnings from leasing (USD 16.4 million). The new law on agricultural land will allow up to 30 percent of state owned land to be leased to large investors for a longer period of time. The new draft law would offer the possibility to extend the leasing period from 20 years to 25 years and, for large investments, even up to 30 years. Under the new law, those who plan investments on leased land will have priority treatment when granting a lease. A new agricultural land registry also would track crop rotations and crop yields.

In 2015, The Ministry of Agriculture and Environmental Protection limited payment of incentives to smaller agricultural concerns by reducing the maximum farm size for registered agricultural households to be eligible to use State subsidies from 100 HA to 20 HA. In Serbia, approximately 94 percent of registered farmers have up to 20 HA of arable land, while the remaining 6 percent are big farmers with arable land over 20 HA. Also, farmers that lease State owned agricultural land will not be entitled to State subsidies.

By the end of 2015, the Serbian Government agreed in consultation with the International Monetary Fund (IMF) to pay Serbian farmers delayed CY2015 crop subsidies in three installments from CY2016 budget funds. In 2015, the Serbian Ministry of Agriculture failed to pay approximately 9.7 billion dinars (USD 90 million) in direct production supports to 212,000 farmers for the fall 2014 and spring

2015 plantings. These funds were disbursed during January to March 2016. Farmers received 6,000 dinars (\$55) per hectare and 3,000 dinars (\$27) for purchasing fuel and fertilizer.

On February 1, the Serbian Government extended thru July 31, 2016, the provisions regarding the mandatory production and sale of „social“ bread from flour type “T-500“. The maximum retail price of this bread is limited to 46 dinars (\$ 0.42/loaf of 500 grams) and bakers must dedicate at least 40 percent of their daily production to bread from flour type “T-500“. According to the Decree on mandatory production and sale of “social“ bread from flour type “T-500“ (Official Gazette RS No. 7/2016), if a bakery does not fulfill these requirements it can be fined up to 2 million dinars (\$18,200) and be suspended from production for a year. The current market price of “T-500“ flour on the Novi Sad Commodity Exchange is 23 din/kg (\$ 210/MT).

Marketing:

In Serbia, during the harvest corn price was 15.80-16.20 din/kg (USD 144-147/MT), higher than Hungarian, Russian or Ukraine corn at FOB Black Sea ports. Thus exports of corn in the following months was only approximately 100,000 MT monthly that is lower than average of 200-250,000 MT monthly. The highest price of corn in 2015 was in August, when the corn of MY2014/15 harvest was sold at 18.40 din/kg (USD 167/MT). Since February 2016, MY2015/16 corn prices have fallen to reach a more competitive level of 15.30 din/kg (USD 139).

Production, Supply and Demand Data Statistics:

Wheat Market Begin Year Serbia	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested	556	550	600	550	0	600
Beginning Stocks	130	130	412	240	0	347
Production	2400	2400	2700	2600	0	2500
MY Imports	13	10	10	7	0	8
TY Imports	13	10	10	7	0	8
TY Imp. from U.S.	0	0	0	7	0	8
Total Supply	2543	2540	3122	2847	0	2855
MY Exports	581	800	1000	1200	0	1100
TY Exports	581	800	1000	1200	0	1100
Feed and Residual	350	300	350	100	0	100
FSI Consumption	1200	1200	1250	1200	0	1200
Total Consumption	1550	1500	1600	1300	0	1300
Ending Stocks	412	240	522	347	0	455
Total Distribution	2543	2540	3122	2847	0	2855

(1000 HA) ,(1000 MT)

Commodities:

Corn

Production:

For MY2015/16, corn planted area was reported as 1.05 million HA, with total corn production estimated at 6 million MT, approximately 2 million less than the previous year. After a record high production in MY2014/15 of 7.7 million MT of corn, almost 25 percent of corn production was seriously damaged due to the extreme summer drought in 2015. Serbia irrigates less than 5 percent of the corn growing land, so it was particularly vulnerable. The corn harvest started on September 1, 2015 three weeks earlier than usual and was completed by the end of October. Corn humidity was very low for MY2015/16, ranging between 12-15 percent, which meant that most of the farmers will not have to pay to artificially dry the crop to the 14 percent humidity level normally requested by traders and exporters. The corn was of good quality. Some corn samples showed fungal illnesses (*Aspergillus* and *Fusarium*), but it was less than in previous years. Due to the presence of these diseases it was very important last fall that corn be stored properly not to repeat huge aflatoxins problems experienced in 2012, when almost 70 percent of Serbia's corn was affected and Serbian exports were a record low of 575,000 MT for MY2012/13.

Serbia's production was approximately 6 million MT of corn with domestic consumption set at approximately 4.5 million MT, leaving an estimated 1.5 million MT for export this year. Corn yields for MY15/16 ranged from 3-7 MT/HA. The price of corn in the Black Sea area has fallen since last year's corn harvest mostly due to low demand. In Serbia, during the harvest, corn prices ranged from 15.80-16.20 din/kg (USD 144-147/MT), higher corn from Hungary, Russia or the Ukraine FOB Black Sea ports. Thus, Serbia's corn exports have been very low since the harvest in October 2015, at approximately 100,000 MT monthly, which is much lower than the normal average of 250,000-350,000 MT. The highest price for corn in 2015 was in August, when MY2014/15 corn sold for 18.40 din/kg (USD 167/MT). MY2015/16 corn prices have been stable most of the time since the harvest in October at 16 di/kg (USD 145), although they dropped in February 2016 to 15.30 din/kg (USD 139).

MY15/16 corn exports are not looking very promising compared to the last two years when Serbia exported 1.8 million MT of MY2013/14 corn and 3 million MT of MY2014/15 corn. From October 2015 to February 2016, Serbia exported approximately 600,000 MT of corn - a five year low. During the same period last year, Serbia exported 1.7 million MT of corn. These modest export quantities are the result of uncompetitive prices and difficulties with transportation due to the low levels of the Danube River. Serbia exported corn mostly to Montenegro, Croatia, Bosnia & Herzegovina, Albania, Cyprus, Italy, Spain, France, Portugal and North African countries. Corn yields for MY15/16 ranged from 3-7 MT/HA. Since domestic corn consumption is estimated at 4.5 million MT, there remain approximately 900,000 MT of MY2015/16 corn in storage, and approximately 700,000 MT available for export as of March 2016.

The corn harvest last fall started very early at the end of August and was completed by the end of October 2015. Average corn yields reached 5.7 MT/HA, while in some parts of Vojvodina they were a

record high of 10 MT/HA. In July and August, due to very dry and hot weather, the moisture level of the corn in the fields at the beginning of the harvest was on average only 13 percent. Thus the farmers were able to start the harvest earlier, since they were not forced to pay the additional cost of artificially drying the corn to a 14 percent humidity level most traders and exporters require. The corn crop in MY2015/16 was reduced not only in Serbia, but in the whole region. Hungary produced 2.5 million MT less than the previous year, Romania 2.1 million MT less, Bulgaria 0.5 million MT less and Croatia 0.3 million MT less. These reductions were all due to the record high summer temperatures in the Balkan region that reduced the overall corn crop in the area. Even with the reduced corn crop, the price of corn in the Black Sea region fell as a result of lower demand. Corn prices were approximately 10-15 percent lower for corn coming from Russia and the Ukraine, due to a decline in their national currency compared to the US dollar.

For MY 2016/17, Serbia's corn planted area is projected to be 1.1 million HA, a 4.7 percent increase from the previous year. Total corn production is forecast at 7 million MT, which equates to an average yield of 6.4 MT/HA. Corn accounts for about 37 percent of total planted area of field crops in Serbia. This year corn planting in Serbia is expected to start beginning in April and last until mid-May. Corn farmers have been advised to plant seeds much deeper in the soil to adjust for the soil moisture and anticipated hot weather during the growing season. It is predicted that MY2016/17 corn area will be approximately 50,000 HA larger than last year.

Corn is the main crop in Serbia that producers can easily store on their farms. Farmers harvest the crop in the period September-November, depending on the weather condition and it can either be stored on farms to dry naturally or taken to drying facilities. When farmers select to store their grain on farm, they usually sell their crop during what is called the "second harvest" in March before the start of the new planting season. The naturally dried corn normally has moisture contents between 14 and 17 percent and is usually offered for sale in small lots.

Serbia's requirement of commercially certified seed corn is estimated between 20,000 and 24,000 MT annually, depending on seed varieties and the area planted. There are two large domestic players in the corn seed production business in Serbia: the Institute for Field and Vegetable Crops of Novi Sad (NS Hybrids) and the Maize Research Institute of Zemun Polje (ZP Hybrids). They are both semi-state owned institutes and they currently control 19 and 24 percent, respectively, of the corn seed market in Serbia. This represents a huge decline in market share due to competition from foreign corn seed varieties that began entering the Serbian market several years ago. The largest player in the corn seed market for the past few years has been Dupont Pioneer with 28 percent market share for the entire seed market. Dupont Pioneer and two domestic institutes account for 71 percent of the corn seed market, while the remain 29 percent of the market is shared by approximately 15 foreign companies that are present in the Serbian market (i.e. KWS, Limagrain, Syngenta, Monsanto, Dekalb, Agrimax, Maisdour etc).

Consumption:

Total domestic corn consumption for the last five years has varied between 3.8-4.5 million MT annually. Serbia's MY2015/16 total consumption requirement is estimated at approximately 4.5 million MT annually. With most being used for animal feed (4.2 million MT) and only 200,000 MT used for human consumption in Serbia. However, corn consumption for feed also has declined due to decreased livestock numbers as in most of the transition countries. In 1990, there were 2.16 million heads of cattle

(1.28 million were cows and pregnant heifers). In 2015, there were only 1 million cattle (700,000 cows and pregnant heifers). At the same time, there has been a trend of rural depopulation as well.

Currently in Serbia there is one bio-ethanol plant built in 2007, in the city of Sid. It has a capacity of 100,000 MT per year. The factory is able to produce biodiesel per EU standard quality EN 14214. However, it is currently working as a crushing facility for sunflower and soya.

Trade:

Serbia is a net corn exporter. In MY14/15, with exports of 3 million MT, Serbia was one of the largest corn exporters in Europe and among the top ten exporters in the world. Serbia typically produces more corn than it consumes, exporting to neighboring Mediterranean and North-African countries. It often finds itself competing with regional corn producers from Russia, Ukraine, Romania, Hungary and Bulgaria. In CY2015, corn was again the leading Serbian agricultural export commodity.

In MY2015/16 Serbia, exported 3 million MT of corn (1.2 million MT or for 40 percent higher than in MY2014/15 when Serbia exported 1.8 million MT of corn). For MY15/16, Serbian corn exports are not looking very promising compared to the last two years. From October 2015 to February 2016, Serbia exported approximately 600,000 MT of corn, a five year low. During the same period last year, Serbia exported 1.7 million MT of corn. These modest export quantities are due to uncompetitive prices and difficulties in transportation as a result of the low levels of the Danube River. Serbia exported corn mostly to Montenegro, Croatia, Bosnia & Herzegovina, Albania, Cyprus, Italy, Spain, France, Portugal and North African countries.

Serbian companies also now have some new regular markets in South Korea and Japan for non-GMO corn. Corn yields for MY15/16 ranged from 3-7 MT/HA. Since domestic corn consumption is estimated at 4.5 million MT, there remain 900,000 MT of MY2015/16 corn in storage, and approximately 700,000 MT available for export as of March 2016.

During July-October 2015, river transportation of Serbian corn almost stopped completely due to record low water levels. The critical point on the River Danube last summer was between Bulgaria and Romania, a place called Zimnice where most ships were blocked for days. July export of grain from Serbia was reduced 50 percent due to the problems with river transportation, while for August Serbian grain traders cancelled over 70 percent of their contracts. The current FOB prices from Serbian ports for corn are USD 15.5-15.8 din/kg (USD 140/MT-USD 144/MT). Most exports are shipped by barges via the Danube to the Port Constanza, Romania.

Table 6: Corn exports October 2015 – February 2016

Month	In MT
October	102,506
November	88,532
December	125,457
January	101,557
February	187,657
TOTAL:	605,709

Source: Serbian Grain Fund

Effective January 1, 2014, the duty rate for corn imports from EU countries is as follows: tariff no. 1005 90 corn is 24 percent, tariff no. 1005 10 seed corn is 9 percent and tariff n. 1101 11 15 corn flour is 20 percent. The general duty rate for corn, corn seed and corn flour imports from other countries including the United States is still 30 percent.

Stocks:

Corn ending stocks in MY2015/16 are estimated to be high at approximately 680,000 MT, similar to MY2014/15 when Serbia had a record corn crop and large ending stocks of above 800,000 MT. Most of the stocks are in the farmers' hands and kept in open-air storage facilities to be naturally dried. These stocks are normally offered for sale in local markets starting in March in order to collect money for the new planting season.

Policy:

The Serbian government will continue to support corn production through the same policies outlined in the wheat policy section.

Due to the problems that Serbia had with aflatoxins in 2012, the Serbian Ministry of Agriculture launched an aflatoxin B1 monitoring program for corn crops, in order to protect the food and feed supplies. This program systematically measures microbiological and biological contaminants in food and feed. It prescribes a certain number of samples according to a sampling plan and outlines the measures that must be taken if discrepancies are identified. If irregularities are detected in the corn crop, legal measures are taken including prohibiting the use of the corn for food or feed, continuing monitoring, and informing producers, distributors and consumers about the irregularities and removing the corn from the market.

Due to the persistent drought this summer, the corn harvest has already begun in Serbia, nearly a month earlier than normal. Corn export activity occurred in the first half of 2015, from January to July 2015. River traffic on the Danube was blocked almost all summer and fall or had to be done on barges with very limited loads. The MY2015/16 corn crop is estimated at 6 million MT, while export in MY2015/16 is estimated at 1.4 million MT.

An additional measure imposed by the Ministry of Agriculture in 2013 to prevent problems with the quality of corn crops is that all storage facilities in Serbia selling corn to exporters must have a "veterinary control number" for exports of corn for animal feed. If corn is exported for human consumption this is not necessary. Registration of the facility for storage of corn as feed for livestock is regulated by the Veterinary Law. To obtain a "veterinary control number" the owner of a storage facility must apply to the Ministry of Agriculture per the Veterinary Directive to be registered as an approved storage facility. These facilities are given export control numbers and are registered with the Ministry of Agriculture for export.

In Mid-November 2015, the State Commodity Reserves announced purchasing of 25,020 MT of MY2014/15 corn for domestic feed use. The transaction was implemented through the Commodity Exchange in Novi Sad and the corn was stored in State authorized grain storage facilities. The State Administration offered a price of 19 din/kg (USD 173/MT) for MY2015/16 corn. This price was considerably higher than the market price at that time of 16.20 din/kg (USD 147/MT). Corn was purchased from individual farmers and cooperatives and the quantities were divided between Vojvodina (15,020 MT) and Central Serbia (10,000 MT).

Marketing:

During the harvest (September-October 2015), Serbian farmers requested prices for corn between 15.80-16.20 din/kg (USD 144-147/MT), higher than corn coming from Hungary, Russia or the Ukraine FOB Black Sea ports. Due to this higher price, Serbian corn exports have been weak. The highest price in 2015 was in August, when MY2014/15 corn sold for 18.40 din/kg (USD 167/MT). MY2015/16 corn prices have been stable most of the time since the harvest in October at 16 di/kg (USD 145), although they dropped in February 2016 to 15.30 din/kg (USD 139).

Most of this price decrease is attributed to reduced demand for Serbia's less price competitive corn compared to Romania, Russia and the Ukraine. Hungary mostly used its corn in domestic starch factories or exported to Western Europe. Serbian corn prices will most probably remain steady until the new harvest.

Production, Supply and Demand Data Statistics:

Corn Market Begin Year	2014/2015		2015/2016		2016/2017	
	Oct 2014		Oct 2015		Oct 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Serbia						
Area Harvested	1180	1100	1150	1050	0	1100
Beginning Stocks	374	374	816	680	0	683
Production	7700	7700	5500	6000	0	7000
MY Imports	6	6	10	3	0	2
TY Imports	6	6	10	3	0	2
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	8080	8080	6326	6683	0	7685
MY Exports	2964	3000	1700	1500	0	2500
TY Exports	2964	3000	1700	1500	0	2500
Feed and Residual	3900	4100	3800	4200	0	4200
FSI Consumption	400	300	400	300	0	400
Total Consumption	4300	4400	4200	4500	0	4600
Ending Stocks	816	680	426	683	0	585
Total Distribution	8080	8080	6326	6683	0	7685

(1000 HA) ,(1000 MT)

Commodities:

Barley

Production:

Barley is a secondary grain crop in Serbia. Barley area has been increasing for the past three years, ranging from 78,000 HA in the fall of 2013 to 100,000 HA in the fall of 2015. Total production of barley in Serbia has also increased from 270,000 MT in MY2012/13 to almost 400,000 MT in MY2015/16.

In MY2015/16, barley was planted on 90,803 HA, of which 70,000 HA was winter barley and 2,803 HA was spring barley. MY2015/16 barley production reached a very good volume of 390,000 MT, with an average yield of 4.3 MT/HA. MY2015/16 barley, like wheat, enjoyed good quality levels.

In MY2016/17, barley area is projected to be approximately 92,000 HA, of which 72,000 HA was planted last fall as winter barley and an additional 20,000 HA will be planted as spring barley. It is projected that average yields will be approximately 4.3 MT/HA and that total barley production could exceed 390,000 MT.

Table 7: Area planted to barley from MY06/07 to MY16/17

Year	Barley		
	Harvested area HA	Yields	
		Total MT	Per HA/MT
2005/06	104,917	310,850	2.96
2006/07	93,520	275,640	2.95
2007/08	93,844	258,998	2.76
2008/09	92,417	344,141	3.72
2009/10	95,377	302,527	3.17
2010/11	84,166	244,268	2.90
2011/12	85,000	306,000	3.60
2012/13	78,000	269,000	3.45
2013/14	86,000	344,000	4.00
2014/15	92,000	367,000	4.00
2015/16	90,803	390,450	4.30
2016/17	91,886	395,100	4.30

Source: Serbian Official Statistics

Consumption:

Total barley consumption in Serbia for the past five years has ranged between 270,000-400,000 MT, of which around half is for animal feed and half for the brewery industry. Consumption of brewery barley has been increasing due to increased demand from newly operational breweries following successful privatization efforts of several old Serbian breweries. Local breweries have been sold to several well-known Belgian, Canadian, German, Austrian, and Turkish companies. Barley used for breweries is now planted on almost 40 percent of total planted area for barley in Serbia and is continuing to expand every year. Barley for feed currently accounts for 60 percent of total barley produced in Serbia and is declining due to its low profitability.

Trade:

Barley is not a significant commodity in Serbia's overall grain trade. With the privatization of Serbian breweries that started in 2003, imports of brewery barley have been steadily rising until CY2015 when exports of Serbian barley exceeded imports of barley.

In CY2015, exports of barley are estimated at record level of 52,000 MT of which some 16,000 MT was exported by river barges through the Danube mostly destined for the Romanian market. Croatia imported approximately 12,800 MT, Bosnia 12,000 MT, Macedonia 6,300 MT, Albania 1,400 MT and all the other countries a combined 3,500 MT. The largest exporter of barley from Serbia is the company AXERREAL Serbia/Agrobaza Novi Sad. Imports of brewery barley are estimated at 10,000 MT mostly for the brewing industry and come from France, the Czech Republic, Hungary, Romania and Bulgaria. From July 2015 to February 2016, Serbia exported approximately 45,000 MT and imported 2,000 MT. It is estimated that Serbia will be able to export approximately 60,000 MT of barley in MY2016/17.

Stocks:

Barley beginning stocks in MY2016/17 are estimated at 13,000 MT.

Policy:

The Serbian government will continue to support barley production through the same policies outlined in the wheat policy section.

Marketing:

In the past, barley prices usually followed wheat prices. Due to high export demand in MY2015/16, barley prices were around 10-12 percent higher than wheat prices. The current market price of barley ranges from 19 din/kg (USD 173/MT) to 19.50 din/kg (USD 177/MT).

Production, Supply and Demand Data Statistics:

Barley Market Begin Year	2014/2015		2015/2016		2016/2017	
	Jul 2014		Jul 2015		Jul 2016	
	USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Serbia						
Area Harvested	92	85	95	91	0	92
Beginning Stocks	33	33	47	13	0	13
Production	367	320	390	390	0	400
MY Imports	4	20	10	5	0	5
TY Imports	4	20	10	5	0	5
TY Imp. from U.S.	0	0	0	0	0	0
Total Supply	404	373	447	408	0	418
MY Exports	7	10	25	55	0	60
TY Exports	3	10	25	55	0	60
Feed and Residual	175	200	175	204	0	200
FSI Consumption	175	150	200	136	0	140
Total Consumption	350	350	375	340	0	340

Ending Stocks	47	13	47	13	0	18
Total Distribution	404	373	447	408	0	418
(1000 HA) ,(1000 MT)						